

EPUC DATA REQUEST
EPUC-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JUNE 4, 2019
DATE RESPONDED: JUNE 28, 2019

I. GENERAL OBJECTIONS

1. SDG&E objects generally to each request to the extent that it seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine. No information protected by such privileges will be knowingly disclosed.
2. SDG&E objects generally to each request that is overly broad and unduly burdensome. As part of this objection, SDG&E objects to discovery requests that seek “all documents” or “each and every document” and similarly worded requests on the grounds that such requests are unreasonably cumulative and duplicative, fail to identify with specificity the information or material sought, and create an unreasonable burden compared to the likelihood of such requests leading to the discovery of admissible evidence. Notwithstanding this objection, SDG&E will produce all relevant, non-privileged information not otherwise objected to that it is able to locate after reasonable inquiry.
3. SDG&E objects generally to each request to the extent that the request is vague, unintelligible, or fails to identify with sufficient particularity the information or documents requested and, thus, is not susceptible to response at this time.
4. SDG&E objects generally to each request that: (1) asks for a legal conclusion to be drawn or legal research to be conducted on the grounds that such requests are not designed to elicit facts and, thus, violate the principles underlying discovery; (2) requires SDG&E to do legal research or perform additional analyses to respond to the request; or (3) seeks access to counsel’s legal research, analyses or theories.
5. SDG&E objects generally to each request to the extent it seeks information or documents that are not reasonably calculated to lead to the discovery of admissible evidence, or where the burden, expense, or intrusiveness of the request clearly outweighs the likelihood that the information sought will lead to the discovery of admissible evidence.
6. SDG&E objects generally to each request to the extent that it is unreasonably duplicative or cumulative of other requests.
7. SDG&E objects generally to each request to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.
8. SDG&E objects generally to each request to the extent that it seeks information or documents that are not in the possession, custody or control of SDG&E.
9. SDG&E objects generally to each request to the extent that the request would impose an undue burden on SDG&E by requiring it to perform studies, analyses or calculations or to create

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documents that do not currently exist.

10. SDG&E objects to the production of information that has not been disclosed publicly and that contains highly market-sensitive confidential, proprietary, or trade secret information by reference to statutory protection, such that disclosure of, or reliance upon, this information would create a risk of competitive and financial harm to SDG&E, and where that information is not essential to the determination of this proceeding.

11. SDG&E objects to any request that states that it is ongoing or that requires subsequent, supplemental information.

II. EXPRESS RESERVATIONS

1. No response, objection, limitation or lack thereof, set forth in these responses and objections shall be deemed an admission or representation by SDG&E as to the existence or nonexistence of the requested information or that any such information is relevant or admissible.
2. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
3. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.
4. These responses are made solely for the purpose of this proceeding and for no other purpose.

III. OBJECTIONS TO INSTRUCTIONS

1. SDG&E objects to Instruction D to the extent it purports to require the individual(s) responsible for providing the response and/or designate the proper witness to cross-examine concerning the response. The responses reflect SDG&E's response as a Company to the requests and not the work of any one individual.
2. SDG&E objects to Instructions G and J to the extent it purports to require SDG&E to go beyond what is required by the CPUC's Rules and Practice and Procedure. This instruction is unduly burdensome.
3. SDG&E objects to Instruction L to the extent it purports to require SDG&E to identify information or documents that is not in its possession, custody or control, or to ascertain whether documents have been destroyed in the past, which is unduly burdensome and may be impossible.
4. SDG&E objects to Instruction M to the extent it purports to require SDG&E, with respect to privileged or confidential documents, to go beyond what is necessary to identify the document and its contents for purposes of determining whether a privilege exists.

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IV. OBJECTIONS TO DEFINITIONS

1. SDG&E objects to the definition of “SDG&E” to the extent it purports to require SDG&E to produce documents in the possession, custody or control of “affiliates,” “parents,” “successors,” “predecessors,” or “assigns” or other entities not under the control of SDG&E. Notwithstanding this objection, SDG&E will produce any responsive, nonprivileged information that is in its possession, custody or control.
2. SDG&E objects to the definition of “Communication” because it is overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, non-privileged information that is in its possession, custody or control.
3. SDG&E objects to the definition of “Document” because it is overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, non-privileged information that is in its possession, custody or control.
4. SDG&E objects to the definition of “Identification” as overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, nonprivileged information that is in its possession, custody or control.
5. SDG&E objects to the definition of “Relate to” because it is overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, non-privileged information that is in its possession, custody or control.
6. SDG&E objects to the definition of “Study,” “studies,” “analyses,” and “reports,” because it is overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, non-privileged information that is in its possession, custody or control.

Subject to the foregoing general objections and express reservations, SDG&E responds as follows:

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V. RESPONSES

1-1. Please provide all exhibits, tables, figures and supporting workpapers in an electronic spreadsheet with all formulas intact supporting the cost of capital filing. This is an ongoing request for all subsequent filings.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2 and 11. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 1-1:

Please see separately attached files labeled as follows:

- EPUC-SDG&E-DR01 Q1-1_SDG&E Embedded Cost of Debt Workpapers.xlsx
- EPUC-SDG&E-DR01 Q1-1_SDG&E Historical Capital Structure Calculations.xlsx
- EPUC-SDG&E-DR01 Q1-1_SDG&E Proxy Group Capital Structure.xlsx
- EPUC-SDG&E-DR01 Q1-1_SDG&E Business Risk_Appendix.xlsx
- EPUC-SDG&E-DR01 Q1-1_Morin Exhibits RAM-2 - RAM-8.xls
- EPUC-SDG&E-DR01 Q1-1_Morin Appendix A CAPM and Empirical CAPM.doc
- EPUC-SDG&E-DR01 Q1-1_Morin Appendix B Flot Cost.doc
- EPUC-SDG&E-DR01 Q1-1_Risk Premium Analyses_Confidential.xlsx
- EPUC-SDG&E-DR01 Q1-1_SDG&E CCM Trigger Chart.xlsx
- EPUC-SDG&E-DR01 Q1-1_SDG&E Debt Roster.xlsx

Note that the highlighted information in attachment *EPUC-SDG&E-DR01 Q1-1_Risk Premium Analyses_Confidential.xlsx* is confidential and protected pursuant to applicable provisions of PUC Section 583, GO 66-D, and D.17-09-023. Those protected materials are subject to a duly-executed Non-Disclosure Agreement between SDG&E and EPUC. Also, please refer to the responses below to Questions 1-2, 1-3, and 1-10 for support of historical ratings.

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1-2. Please provide copies of all publications and credit reports referenced in or considered by SDG&E and its witnesses in support of its filing. This is an ongoing request for all subsequent testimonies and pleadings filed by SDG&E and its witnesses.

Objections: SDG&E objects to this request on the grounds set forth in General Objections No. 2, 5, 8, and 11. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-2:

SDG&E's application and supporting testimony relied upon two publicly available credit rating agency reports – Fitch Ratings, *Fitch Downgrades SDG&E's LT IDR to 'A-'; Outlook Stable* (Sept. 13, 2018), and S&P Global Ratings Credit FAQ: *Will California Still Have an Investment-Grade Investor-Owned Electric Utility?* (Feb. 19, 2019). SDG&E will provide copies of both reports. SDG&E will also provide the publicly available California Board of Equalization Report that it cited in testimony.

The remaining credit rating agency materials cited in SDG&E's application and supporting testimony are fee-based (subscription-only), with their circulation controlled by the ratings agencies. Those materials cannot be produced publicly. SDG&E will produce responsive documents under a duly-executed Non-Disclosure Agreement. Further, Exhibit SDG&E-04 (Morin) makes reference to the book, *The New Regulatory Finance* (2006) by Roger A. Morin. Due to the cost of the book and to avoid copyright infringement, this book is not being provided. It is available for in-camera review at SDG&E's offices.

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1-3. Please provide complete copies of all credit reports issued by Standard & Poor's ("S&P"), Moody's and Fitch Ratings that discuss the current regulated utility industry.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 7, and 8. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-3:

Industry Specific

As referenced in the forgoing objections, it is overbroad, an undue burden, and not reasonably calculated to lead to the discovery of admissible evidence to request SDG&E produce and all credit reports discussing the regulated utility industry, when SDG&E does not create or have authority over such reports and when many are unrelated to SDG&E or California. As noted in response to Question 1-2, SDG&E is providing credit rating materials cited in SDG&E's application and supporting testimony, subject to a non-disclosure agreement. Direct links to utility industry pages at each respective agency is provided below in which analysis, reports and commentary is available or a request for access can be made to view the materials.

US Utility and Power Sector:

Moody's:

<https://www.moodys.com/researchandratings/market-segment/u-s-public-finance/power-gas-utilities/005003007/005003007/-/-1/0/-/0/-/-/-/-/-/-/-/-/global/pdf/-/rra>

Fitch:

<https://www.fitchratings.com/site/search?content=research&filter=MARKET%20SECTOR%5ECorporate%20Finance%5EGlobal%20Power%2BGEOGRAPHY%5EUnited%20States>

S&P:

Access Request:

https://www.standardandpoors.com//en_US/web/guest/home

Utility Sector Link:

https://www.spratings.com/en_US/u.s.-public-finance?p_p_id=122_INSTANCE_GA3DTNLq5ZQX&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-1&p_p_col_count=2&p_r_p_564233524_resetCur=true&p_r_p_564233524_categoryId=88380,1

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1-4. Please provide the most recent senior secured, unsecured and corporate credit ratings and outlook of SDG&E assigned by S&P, Moody's and Fitch. Also, please provide its S&P business and financial risk profiles.

SDG&E Response 1-4:

Below please find a summary table of ratings, as of June 3, 2019, as well as S&P's risk profile for SDG&E as of January 21, 2019. Please note that these are subject to change.

SDG&E Credit Ratings

As of June 3, 2019

Credit Ratings			
	S&P	Moody's	Fitch
SDG&E Issuer Rating	BBB+	Baa1	BBB+
Secured Debt	A	A2	A
Unsecured Debt	BBB+	Baa1	A-
Preferred Stock	BBB-	Baa3	
Commercial Paper	A-2	P-2	F2
Outlook	Negative	Negative	Negative

S&P Financial Risk Profile – San Diego Gas & Electric Company:

Business Risk Profile: Strong

Financial Risk Profile: Significant

(as of Jan 21, 2019)

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1-5. Please provide a complete description along with adjustments to all financial statements showing the wildfire damage cost accounting reserve recorded by SDG&E, and also please specifically provide and describe the following:

- a. The impact on SDG&E's earnings, and retained earnings.
- b. The impact on SDG&E's cash flow, and Funds From Operations.
- c. The impact on SDG&E's leverage recorded on its balance sheet.
- d. The impact on operating income statements in the year the damage reserve was recorded, and in following years.

Objection: SDG&E objects to this request on the grounds set forth in General Objections No. 3. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 1-5:

SDG&E did not incur any damage-related costs or record any reserve or liability related to wildfires with ignition dates in 2017 and 2018; however, SDG&E did incur costs to restore service.

SDG&E recorded wildfire restoration costs in 2017 and 2018 associated with two fires known as "Lilac Fire" in 2017 and "West Fire" in 2018. SDG&E recorded these costs in the Catastrophic Event Memorandum Account.

Event	2017		2018		Total
Lilac Fire	\$	2,053,190	\$	-	\$ 2,053,190
West Fire	\$	-	\$	742,409	\$ 742,409
Total	\$	2,053,190	\$	742,409	\$ 2,795,598

In 2017, of the \$2.1 million in wildfire restoration costs noted in the table above, \$0.8 million (\$1.4 million pretax amount) impacted SDG&E's earnings. In 2018, of the \$0.7 million in wildfire restoration costs noted in the table above, no amounts directly impacted SDG&E's earnings. SDG&E's cash flow statement for the year ended 12/31/2017 included approximately \$1.5 million of cash outflow from operating activities and \$0.6 million cash outflow from investing activities. SDG&E's cash flow statement for the year ended 12/31/2018 included approximately \$0.3 million of cash outflow from operating activities and \$0.4 million cash outflow from investing activities. The impact on SDG&E's leverage recorded on its balance sheet for the years ended 12/31/2017 and 12/31/2018 was negligible.

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1-6. Please provide copies of all correspondence, presentations and other materials that SDG&E provided to credit and equity analysts over the last two years.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, and 3. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-6:

SDG&E regularly provides information to credit and equity analysts through public SEC filings (10-K, 10-Q, etc.), quarterly and annual earnings calls, business update calls, and events including analyst conferences and investor days. Separately attached please see the following presentations for the portions relevant to SDG&E for 2018 and 2019:

- 2018_Sempra_Energy_Analyst_Conference_SEU Only.pdf
- Q1-18_Presentation_FINAL_SDGE Extract.PDF
- Q2-18_Presentation_FINAL_SDGE Extract.pdf
- Q3-18_Presentation_FINAL_SDGE Extract.pdf
- Q4-18_Presentation_FINAL_SDGE Extract.PDF
- Sempra Energy 2019 Investor Day_SDGE Only.pdf
- SRE Q1-19 Presentation_FINAL_SDGE Extract.pdf

Also refer to the response to Question 1-22.

The following website houses all SEC filings for 2019 and 2018 for SDG&E:

http://investor.sempra.com/sec-filings?field_nir_sec_cik_value=92108

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1-7. In an electronic spreadsheet with all formulas intact, please provide the monthly average balances for construction work in progress and short-term debt for the most recent 13-month period.

SDG&E Response 1-7:

Please refer to the separately attached spreadsheet “EPUC-SDGE-DR01_Question 1-7.xlsx” that includes construction work in process and short-term debt balances, including monthly average balance, for the 13-month period March 2018 through March 2019.

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1-8. In an electronic spreadsheet with all formulas intact, please provide the five-year projected and five-year historical capital structure, capital expenditures and capital funding.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 5, and 10. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-8:

SDG&E assumes “capital funding” is synonymous with long-term debt issuances. Please refer to the separately attached spreadsheet “EPUC-SDGE-DR01 Responses.xlsx” for the following items:

- Five-year historical capital expenditures and long-term debt issuances;
- Five-year projected capital expenditures; and
- Two-year projected capital structure and long-term debt issuances based on our current authorized capital structure.

Please note that the projections provided in this response are based on SDG&E’s knowledge at this point in time.

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1-9. Please identify the common equity ratio and return on equity approved in SDG&E's last cost of capital proceeding.

Objection: SDG&E objects to this request on the grounds set forth in General Objection No. 7. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 1-9:

Per D.12-12-034, authorized common equity ratio: 52%; authorized Return on Equity: 10.30% (subsequently adjusted to 10.20% per D.17-07-005).

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1-10. Please provide copies of all credit reports published by Standard & Poor's ("S&P"), Moody's and Fitch Ratings for SDG&E and its parent company, Sempra Energy, issued over the last two years.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 5, and 6. SDG&E further objects to the extent the question seeks information regarding a third party, Sempra Energy, that is not a party to this proceeding and is not relevant to SDG&E's cost of capital request. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-10:

Please refer to response to Questions 1-2 regarding credit rating agency materials that SDG&E considered in preparing its application. SDG&E also possesses the following reports from S&P and Moody's that were published after SDG&E's application was filed. The files designated with "Pub" in the title are publicly available. The other files are being provided under a duly-executed Non-Disclosure Agreement.

- Moody's_Limiting utility liabilities looms large after release of SB901 Commission draft report_6.4.19.pdf
- S&P_CreditFAQTheLoomingCaliforniaWildfireSeasonPromptsAnExaminationOfInvestorOwnedUtilitiesRisks_6.7.19 (Pub).pdf

In addition, as stated in response to Question 1-3, Moody's, Fitch, and S&P materials can be directly acquired through the credit rating agencies' websites, as those agencies are the proprietary providers of those reports.

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1-11. Please provide the amount of capitalized interest estimated to be paid during 2018 and the 2020 projected year related to construction work in progress.

Objection: SDG&E objects to this request on the grounds set forth in General Objection No. 3. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 1-11:

SDG&E assumes this question is requesting SDG&E's total capitalized interest related to construction work in progress or AFUDC debt recorded for 2018 and projected for 2020. On a total company basis, SDG&E recorded \$21 million of AFUDC debt in 2018 and currently estimates recording approximately \$18-\$23 million of AFUDC debt in 2020, subject to change.

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1-12. Please state whether SDG&E’s regulated electric retail operations have any off-balance sheet debt such as purchased power agreements and operating leases. If the answer is “yes,” provide the amount of each off-balance sheet debt item and estimate the related imputed interest and amortization expense associated with these off-balance sheet debt equivalents specific to SDG&E’s jurisdictional regulated retail electric operations.

Objection: SDG&E objects to this request on the grounds set forth in General Objections Nos. 3, 5, and 6. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-12:

SDG&E assumes that “regulated electric retail operations” is synonymous with utility operations. SDG&E had the following undiscounted off-balance sheet commitments as of 2018 year-end:

(\$ in millions)	Undiscounted Amount at 2018 Year-End
PPAs	\$7,520
Operating Leases	\$170

SDG&E does not calculate the related imputed interest and amortization associated with these off-balance sheet debt equivalents in the normal course of business.

Please note that SDG&E adopted the new lease accounting standard on a prospective basis beginning January 1, 2019 which requires that operating leases be recognized on the balance sheet. Therefore, there are no longer any off-balance sheet operating leases as of January 1, 2019.

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1-13. To the extent not already provided, please provide in electronic format with all formulas intact, the calculation of SDG&E's credit metric calculations by S&P and Moody's for 2018 actual and 2020 projected.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 3, 6, and 8. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-13:

Moody's does not provide a calculation of SDG&E's credit metric.

For S&P, the credit metrics are published and are proprietary (subscription based). SDG&E is providing the 2018 actual information in "EPUC-SDG&E-DR01 Q1-13 Credit Stats Direct Financials 2018.xls" subject to a duly-executed Non-Disclosure Agreement. SDG&E does not possess any 2020 projected credit metric calculations.

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1-14. With respect to the credit metric calculation provided above, please explain what the impact on those credit metrics will be to the extent SDG&E is required to make wildfire damage claim payments, which are disallowed for ratemaking purposes up to the stress test level found appropriate by the California Commission. On an electronic spreadsheet with all formulas intact, please provide the development of the estimated credit metric calculations after disallowed wildfire damage claims are incurred by SDG&E. Please also list all other assumptions used to develop these forecasted credit metrics in 2020.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 3, 4, and 9. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-14:

S&P is the party responsible for determining the impact of events on its credit metrics. SDG&E assumes this question refers to the stress test currently pending CPUC approval in R.19-01-006. As SDG&E interprets the proposed decision in R.19-01-006, the “stress test level” would not be applicable to SDG&E as it appears limited to liabilities resulting from wildfires with an ignition date in 2017. As stated in SDG&E’s response above to Question 1-5, SDG&E did not incur wildfire liabilities in 2017.

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1-15. Please provide a detailed explanation of SDG&E's dividend payment and debt financing plans through the test period.

Objection: SDG&E objects to this request on the grounds set forth in General Objections No. 6. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 1-15:

Please refer to SDG&E's response to Question 1-8 above for forecasted dividend payments and debt issuances through the test period.

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- 1-16. Do any of SDG&E's outstanding long-term debt issues have call provisions? If the answer is "yes," please provide a list of the callable issues with the following:
a) outstanding balance, b) issuance date, c) maturity date, d) coupon payment percent, e) annual interest expense, and f) call price (as a percent of par).

SDG&E Response 1-16:

Please refer to the separately attached spreadsheet "EPUC-SDG&E-DR01 Q1-1_SDG&E Debt Roster.xlsx."

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1-17. Has SDG&E performed any debt refinancing feasibility studies on its outstanding debt issues? If the answer is “yes,” please provide the following:

- a. A detailed description of the results from the study.
- b. A detailed description of the conclusions(s) made by SDG&E based on the results of the study.
- c. All debt refinancing feasibility studies in an electronic spreadsheet with all formulas intact.

Objection: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 5. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 1-17:

In the last five years, SDG&E performed the following debt analyses (files separately attached):

- 1-17 2014 SDGE Bond Redemption Analysis 3-27-2014.xlsx
- 1-17 Copy of EMBOCT2014SDGE (2).xlsx
- 2015 SDGE Bond Redemption Analysis 4-10-2015.xlsx
- List of potential targets 2015 rev 3-26-15.xlsx
- List of potential targets 2015.xlsx
- numbers-c.xlsx
- Redemption Price Accrued Interest Calculation.xlsx
- Redemption Timeline.xlsx

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- 1-18. For the forecasted 2020 test year, and for the previous three years, please provide an electronic spreadsheet with all formulas intact showing the amount of total retail electric revenues collected by SDG&E, by each of its charges and tariff rates to its retail customers. Please also identify the following:
- a. Total retail electric and gas revenue collections.
 - b. The amount of electric and gas revenue collected by base rates, and each rider or surcharge mechanism in effect in 2018 and projected for 2020.
 - c. The cost deferred in regulatory assets for balancing account purposes.
 - d. For each such regulatory mechanism, please provide a complete description of the frequency of accounting changes or rate changes allowed by the Public Utilities Commission, and describe the allowance for deferrals within balancing accounts for costs deferred in regulatory assets or liabilities for recovery in future charges to customers.
 - e. Describe the process for deferrals, or balancing account used to make adjustments to the base rates or regulatory mechanism to ultimately support the utility's ability to recover all tracked costs, or costs subject to balancing account treatment.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 5, 6, and 7. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-18:

- a. SDG&E's gas 2020 forecasted transportation rates and revenues are shown in the separately attached spreadsheet, "SDG&E Gas COC Rate Tables.xlsx." This forecast is based on April 2019 rates and revenues with the Proposed Cost of Capital adjustments to SDG&E's Gas Base Margin and Pipeline Safety Enhancement Plan (PSEP).

In addition, please refer to the following separately attached files:

- EPUC-SDG&E-DR01-1-18_2016 Final R2.xlsx
- EPUC-SDG&E-DR01-1-18_2017 Final R2.xlsx
- EPUC-SDG&E-DR01-1-18_2018 Final R2.xlsx
- EPUC-SDG&E-DR-01_1-18_Sales by Rate Schedule 2016-2018.pdf
- EPUC-SDG&E-DR01-1-18_Class Average Rates.xlsx
- ELEC_ELEC-PRELIM_AS_LIMA.pdf
- Gas Surcharge Schedule (2016-2018).xlsx

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SDG&E Response 1-18: - Continued

- b. Please refer to the response in subpart a. The revenue schedules provided are broken down by rate schedule.
- c. As of 12/31/2018, SDG&E has a net under-collection in balancing accounts of \$190 million, which include both costs and revenues collected from ratepayers.
- d. Rates are changed at least on a yearly basis on January 1 of each calendar year. The frequency of other rate changes are upon approval by the CPUC or FERC jurisdiction.
- e. Adjustments to base rates are mainly made through the GRC, the annual regulatory filing for electric and gas for CPUC. The recovery for FERC related costs are approved through the transmission owner filings.

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- 1-19. On a retail regulatory basis, on an electronic spreadsheet with all formulas intact, please provide the following for the last five years:
- a. The authorized return on equity.
 - b. The earned return on equity.
 - c. The Funds From Operations (“FFO”) recovered in current rates.
 - d. The amount of debt obligations used to support investments in retail operations.
 - e. The amount of off-balance sheet debt equivalent obligations incurred to support retail operations services.
 - f. All credit metrics reviewed by the utility’s Treasury Department and provided to credit analysts to assess the stability and predictability of SDG&E’s earnings and cash flows to support its total debt obligations.
 - g. On an electronic spreadsheet with all formulas intact, please provide a workbook used to develop each of these financial metrics, along with copies of all financial statements used to produce these estimates.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 6, 7, 8, and 9. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-19:

SDG&E assumes the following for purposes of responding to this Question:

- “Retail regulatory basis” is equivalent to utility operations
- “Funds from Operations (“FFO”) recovered in current rates” is equivalent to operating cash flows as each rating agency makes its own adjustments to determine FFO for credit rating purposes
- “Debt obligations used to support investments in retail operations” is equivalent to the outstanding first mortgage bond balance
- "Off-balance sheet debt equivalent obligations incurred to support retail operations services" to be equivalent to the undiscounted amount of off-balance sheet PPAs and operating leases at each year-end

For subparts a, c, d, and e, please refer the separately attached spreadsheet “EPUC-SDGE-DR01 Responses.xlsx.” For subpart b, please refer to SDG&E’s response to Question 1-23.

For subparts f and g, SDG&E does not provide credit metric data or calculations to analysts.

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- 1-20. On a retail regulatory basis, on an electronic spreadsheet with all formulas intact, please provide the following for the forecasted 2020 test year:
- a. The authorized return on equity
 - b. The earned return on equity.
 - c. The Funds From Operations (“FFO”) recovered in current rates.
 - d. The amount of debt obligations used to support investments in retail operations.
 - e. The amount of off-balance sheet debt equivalent obligations incurred to support retail operations services.
 - f. All credit metrics reviewed by the utility’s Treasury Department and provided to credit analysts to assess the stability and predictability of SDG&E’s earnings and cash flows to support its total debt obligations.
 - g. On an electronic spreadsheet with all formulas intact, please provide a workbook used to develop each of these financial metrics, along with copies of all financial statements used to produce these estimates.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 7, 8, and 9. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-20:

As detailed in response to Question 1-19, SDG&E assumes the following for purposes of responding to this Question:

- “Retail regulatory basis” is equivalent to utility operations
- “Authorized return on equity” is equivalent to the requested return on equity as the authorized return on equity for 2020 will be established by this Cost of Capital proceeding
- “Earned return on equity” is equivalent to the requested return on equity as the earned return on equity for 2020 is dependent on the outcome of this Cost of Capital proceeding
- “Debt obligations used to support investments in retail operations” is equivalent to the outstanding first mortgage bond balance
- "Off-balance sheet debt equivalent obligations incurred to support retail operations services" to be equivalent to the undiscounted amount of off-balance sheet PPAs at year-end

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SDG&E Response 1-20: - Continued

For subparts a-d, please refer the separately attached spreadsheet “EPUC-SDGE-DR01 Responses.xlsx.” However, please note that “Funds from Operations (“FFO”) recovered in current rates” for 2020 will be determined by the CPUC as part of the final decision in SDG&E’s Test Year 2019 GRC proceeding, A.17-10-007/-008 (cons.), which is currently pending. With respect to subpart e SDG&E does not forecast the undiscounted amount of off-balance sheet PPAs in the normal course of business.

Regarding subparts f and g, SDG&E does not provide credit metric data calculations to analysts.

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1-21. Please provide the most recent estimate of total wildfire damage costs for 2017 and 2018 wildfire events that has been estimated by the utility related to both electric and gas operations.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 3, and 6. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-21:

As stated in SDG&E's responses to Questions 1-5 and 1-14, SDG&E did not incur damage costs related to wildfires with ignition dates in 2017 and 2018.

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1-22. Please provide a complete copy of all correspondence from the utility to all credit rating agencies and all correspondence from credit rating agencies to the utility concerning the impact on its credit standing due to wildfire damage costs incurred for wildfire events in 2017 and 2018, and the utility's ongoing level of financial exposure to natural disaster events.

Objection: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 5. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 1-22:

As noted, SDG&E did not incur damage costs related to wildfires with ignition costs in 2017 and 2018. Nevertheless, as detailed in its application and supporting testimony, SDG&E's credit ratings were repeatedly downgraded in 2017 and 2018 solely because of California's wildfire liability scheme. Wildfire discussion slides from presentations / discussions with credit rating agencies from 2017 to present containing now-public information are provided in separately attached files labeled as follows:

- EPUC-SDG&E-DR01_1-22_May 2019 New York RA Meetings_Moody's.pdf
- EPUC-SDG&E-DR01-1-22_May 2019 New York RA Meetings_Fitch.pdf
- EPUC-SDG&E-DR01-1-22_May 2019 New York RA Meetings_S&P.pdf
- EPUC-SDG&E-DR01-1-22_RA Visit March 2018 (03.12.2018)_MASTER Fitch.pdf
- EPUC-SDG&E-DR01-1-22_2018 Wildfire Rating Agency 3.8.18.pdf
- EPUC-SDG&E-DR01-1-22_RA Visit March 2018 (03.12.2018)_Moody's.pdf
- EPUC-SDG&E-DR01-1-22_RA Visit March 2018 (03-12-2018)_S&P.pdf
- EPUC-SDG&E-DR01-1-22_S&P's Wildfire Deck_March 2019.pdf
- EPUC-SDG&E-DR01-1-22_Moody's Wildfire Deck Jan 2019.pdf

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1-23. Regarding the Utility's "Supplemental Testimony, submitted on June 28, 2012 in A.12-04-014 et al.:

- a. Please provide updated tables on electronic spreadsheet with all formula and supporting data intact for the CPUC jurisdictional authorized and recorded RORs and ROEs for 2011-2018. Please explain if there are any major differences in methodology or assumptions.
- b. Please provide updated tables regarding "amounts currently authorized in balancing accounts in relationship to their total authorized revenue requirements" for 2017 and 2018.
- c. Please provide a table of the actual ROE on a GAAP basis for 2011-2018.

Objections: SDG&E objects to this request on the grounds set forth in General Objection No. 9. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 1-23:

Please refer the separately attached spreadsheet "EPUC-SDGE-DR01 Responses.xlsx."

Please note that SDG&E's recorded RORs and ROEs for 2011-2018 are not available on a CPUC only basis. Rather, SDG&E records RORs and ROEs on a total company regulatory basis, which is provided in the above-mentioned spreadsheet.

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- 1-24. Has the utility conducted any research or analyses concerning the use of balancing accounts and/or surcharge mechanisms by utilities in other jurisdictions?
- a. If yes, please provide any reports or studies resulting from the research.
 - b. If no, please explain why the utility did not conduct such research as part of responding to the CPUC's question regarding regulatory risk in D.17-07-005.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 5, 8, and 9. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-24:

SDG&E did not compare balancing accounts and/or surcharge mechanisms from other jurisdictions. Notwithstanding, SDG&E did address the Commission's question regarding regulatory risk in testimony. The Regulatory Research Associate's state regulatory evaluations cited by SDG&E presumably take these issues into account.

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1-25. Please provide a table showing all annual amounts authorized and recorded for general liability insurance for 2011-2018, disaggregated by functionalized property (production, transmission, distribution, and customer) and natural disaster, personal damage, and other.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 3, 9, and 10. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 1-25:

The separately attached spreadsheet “EPUC-SDGE-DR01_Question 1-25.xlsx” puts forth SDG&E’s general liability insurance costs for 2011-2018. Please note that SDG&E’s general liability insurance program is comprised of two programs, excess liability and wildfire and is filed in the GRC as such. Wildfire is further split into three categories: excess fire, wildfire reinsurance, and ILS CAT bond.